

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**NORTH IOWA REGIONAL HOUSING AUTHORITY**

**September 30, 2009**

# T A B L E   O F   C O N T E N T S

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	5
FINANCIAL SECTION	
STATEMENT OF NET ASSETS - PROPRIETARY FUND	10
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUND	11
STATEMENT OF CASH FLOWS - PROPRIETARY FUND	12
NOTES TO FINANCIAL STATEMENTS	13
SUPPLEMENTAL INFORMATION	18
STATEMENT OF NET ASSETS BY PROGRAM	19
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY PROGRAM	20
STATEMENT OF CASH FLOWS BY PROGRAM	21
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	22
STATEMENT AND CERTIFICATION OF ACTUAL COMPREHENSIVE GRANT COSTS	23
FINANCIAL DATA SCHEDULE	24
OTHER REPORTS	26
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	27
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	29
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	31

***Your Business Safety Net***

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
North Iowa Regional Housing Authority  
Mason City, Iowa

We have audited the accompanying proprietary fund statement of net assets of the North Iowa Regional Housing Authority as of September 30, 2009 and the related proprietary fund statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Iowa Regional Housing Authority as of September 30, 2009 and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have issued a report dated May 24, 2010, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information, including the Schedule of Expenditures of Federal Awards, required by the United States Office of Management and Budget (OMB) Circular A-133, and the Financial Data Schedule are presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

*Tortured + Temp, SC*

May 24, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2009

North Iowa Regional Housing Authority (NIRHA) operates under two Department of Housing and Urban Development (HUD) programs, providing income-based housing and rental assistance to lower income families residing in the northern Iowa counties of Cerro Gordo, Floyd, Franklin, Hancock, Kossuth, Mitchell, Winnebago, and Worth. The incorporated cities of Charles City, Mason City, and Riceville receive assistance from other housing authorities, and residents of those communities are ineligible for assistance from NIRHA. A governing board, consisting of commissioners appointed by Supervisors of each of the eight counties, hires an Executive Director to oversee the daily management of the housing authority and supervise the administrative and maintenance staff as they work toward achieving the housing authority's goals and mission.

*The mission of the North Iowa Regional Housing Authority is to assist low-income families with decent, safe and affordable housing opportunities as they strive to achieve self-sufficiency and improve the quality of their lives. The Housing Authority is committed to operating in an efficient, ethical, and professional manner. The Housing Authority will create and maintain partnerships with its clients and appropriate community agencies in order to accomplish this mission.*

The Public Housing (PH) Program provides assistance for low income families, elderly, and disabled persons in rental units owned and managed by NIRHA. Properties are located in ten northern Iowa communities. The units are designed to blend into and complement their respective neighborhoods. The units vary in bedroom sizes and range in style from duplexes and multi-family town houses with separate entrances to a multi-level apartment building. Tenant rents are income based at approximately 30% of income. Since rental income is generally insufficient for NIRHA to operate the properties, HUD operating grants are used to provide a significant portion of the revenue gap. Capital improvement grants from HUD permit NIRHA to maintain the physical structure of the buildings and improve energy efficiency. The American Recovery and Reinvestment Act of 2009 also provided funding for capital improvements during the most recent fiscal year.

The Housing Choice Voucher (HCV) program is designed to enable elderly, disabled, and low income families the ability to rent decent, safe, and sanitary housing. The HCV program permits participants to find an apartment or house from the private rental

program permits participants to find an apartment or house from the private rental market. Participants' rent is income-based and initial lease-up rent does not exceed 40% of their adjusted monthly income. Participants pay their portion of the rent to their landlord, and the balance of the rent is paid by NIRHA directly to the landlord. HUD subsidizes 100% of the landlord payments made by NIRHA. HUD also provides a subsidy to NIRHA to defray costs of administering the program.

Operating and financial data for both PH and HCV programs is closely monitored by HUD via monthly and annual reporting. HUD reporting also includes tenant income eligibility and family data. On-site compliance reviews are periodically scheduled by HUD to validate report data and to insure program integrity.

North Iowa Regional Housing Authority's performance and goals are dedicated to complying with program administration regulations. NIRHA has developed a system of internal procedures to ensure that expenditures represent allowable costs and are properly documented and approved. Procedures also ensure that calculations related to rent subsidies are accurate and in accordance with federal regulations. Additional procedures are in place to ensure NIRHA is in compliance with state and local laws. Policies are continually reviewed for legal and regulatory changes as well as changes in circumstances.

NIRHA depends almost exclusively upon federal funding. Recently, Congress and HUD have been slow to announce annual subsidy allocations for housing programs. This grant revenue uncertainty, coupled with expected increases in fuel and material costs, makes it difficult to budget appropriately. It causes further difficulty projecting the agency's financial needs for the next three to five years. NIRHA has carefully earmarked and used available HUD capital improvement funding, including ARRA funds, to complete major public housing repairs and to make the units energy efficient. Any reduction in federal funding could jeopardize future site improvements. The commissioners and management of NIRHA continue to monitor funding trends and make the adjustments necessary to maintain financial stability.

## **2009 FINANCIAL INFORMATION**

The following pages contain a narrative overview and analysis highlighting key financial activities for the fiscal year ended September 30, 2009, with comparative data from the fiscal years ended September 30, 2008 and 2007 respectively. We encourage readers to consider this information in conjunction with the housing authority's audited financial statements.

The accompanying audited financial statements were prepared using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The **Statement of Net Assets** presents all of NIRHA's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of NIRHA is improving or deteriorating.

	2009	2008	2007
Current and other assets	\$ 510,312	\$ 766,930	\$ 819,100
Capital assets	<u>4,315,956</u>	<u>4,283,032</u>	<u>4,094,666</u>
Total assets	<u>\$4,826,268</u>	<u>\$5,049,962</u>	<u>\$4,913,766</u>
Short-term liabilities	\$ 80,363	\$ 225,099	\$ 171,718
Other liabilities	<u>20,427</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>\$ 100,790</u>	<u>\$ 225,099</u>	<u>\$ 171,718</u>
Net assets:			
Invested in capital assets, net of related debt	\$4,315,956	\$4,283,032	\$4,094,666
Restricted	153,011	316,361	0
Unrestricted	<u>256,511</u>	<u>225,470</u>	<u>647,382</u>
Total net assets	<u>\$4,725,478</u>	<u>\$4,824,863</u>	<u>\$4,742,048</u>

- Assets exceeded liabilities by approximately \$4,725,500 as of September 30, 2009. The major component of assets is the investment in land, buildings, improvements, equipment, and construction in progress, net of depreciation. Current assets of \$510,300 comprise the other major asset component. Cash represents the largest current asset. Cash has declined because HUD is requiring NIRHA to spend excess housing choice voucher cash by reducing the amount of the monthly HUD payment subsidy.

- Liabilities totaling approximately \$100,800 are all current, except for an accrual of compensated employee absences. Liabilities are comprised mostly of accounts payable, construction contract retentions payable, and accrued expenses. NIRHA is fortunate to have no long-term debt.

The *Statement of Revenues, Expenses, and Changes in Net Assets* presents information showing how net assets changed during the most recent fiscal year, and compares the data to the prior fiscal year. All changes in net assets are reported when the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not impact cash flow until future fiscal periods.

	2009	2008	2007
Revenue by source			
Rents	\$ 166,333	\$ 129,809	\$ 101,307
Grants and contributions	1,442,30	1,239,390	1,130,038
Miscellaneous	<u>39,255</u>	<u>16,845</u>	<u>33,299</u>
Total revenues	<u>\$1,647,893</u>	<u>\$1,386,044</u>	<u>\$1,264,644</u>
Expenditures			
Administration	\$ 355,832	\$ 350,475	\$ 389,440
HAP payments	1,113,316	864,888	690,447
Depreciation	247,332	224,766	173,600
Maintenance and Other	230,088	219,323	215,950
Miscellaneous	<u>1,854</u>	<u>12,570</u>	<u>36,760</u>
Total expenses	<u>\$1,948,422</u>	<u>\$1,672,022</u>	<u>\$1,506,197</u>
Non operating revenues (expenses)			
Capital contributions	\$ 196,411	\$ 335,006	\$ 4,746
Other	<u>4,733</u>	<u>33,787</u>	<u>48,109</u>
Total non operating revenues	<u>\$ 201,144</u>	<u>\$ 368,793</u>	<u>\$ 52,855</u>
Extraordinary item	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Change in net assets	\$ (99,385)	\$ 82,815	\$(287,033)
Net assets at beginning of year	\$4,824,863	\$4,742,048	\$5,029,081
Prior Period Adjustments	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net assets at end of year	<u><u>\$4,725,478</u></u>	<u><u>\$4,824,863</u></u>	<u><u>\$4,742,048</u></u>



- Rental income from tenants residing in the public housing units owned by the housing authority, plus grants from HUD represent the majority of the operating revenue of NIRHA. Likewise, payments to landlords for tenants participating in the HCV program constitute the single largest operating expense. Administrative expenses, maintenance expenses, and depreciation comprise most of the remaining operating expenses.
- Combined operating revenues of the two programs operated by NIRHA increased 19%, or approximately \$262,800 from fiscal year 2008 to fiscal year 2009. This was mainly attributable to the increased PH rents and increased grant funding from HUD.
- Unit occupancy in public housing units has remained fairly stable. Rental income is subject to the ebb and flow of tenant income.
- Units served by the HCV program during fiscal years 2006 and 2007 dipped to low numbers while NIRHA continued working through compliance issues. Management revamped tenant screening processes, invested in staff training programs, and realigned staffing responsibilities in an attempt to reduce errors and reporting problems. The effects of the improved procedures became evident in 2007 and 2008 with increases in voucher program participants and resultant increases in the amount of payments to landlords. During fiscal year 2009 NIRHA increased the number of HCV units leased to 95% of the maximum units permitted by the agency's contract with HUD. As the number of program participants increases, the dollar amount expended to landlords also increases. HUD provides funding based upon the number of HCV tenants and the dollar amount paid to landlords, so as expenses increase, revenues also increase.
- NIRHA adopts annual operating budgets for the PH and HCV programs based upon expected federal grants awarded. All budgets are prepared on a basis prescribed by HUD which is materially consistent with accepted accounting principles. All annual appropriations lapse at calendar year-end. It is difficult to anticipate changing economic conditions which impact tenant incomes and thereby impacting the housing authority's budget. NIRHA continually searches for cost saving measures to minimize the effects of uncontrolled revenue reductions.

The financial reports are designed to present our citizens, taxpayers, customers, investors, creditors, and other users with a general overview of the housing authority's finances and operating activities. If you have any questions or require additional information, please contact:

North Iowa Regional Housing Authority  
 202 1<sup>st</sup> St., S.E., Suite 203  
 Mason City, Iowa 50401  
 641-423-0897

North Iowa Regional Housing Authority  
Mason City, Iowa  
STATEMENT OF NET ASSETS  
September 30, 2009

ASSETS

Current assets

Cash and cash equivalents	\$ 406,660
Investments	89,398
Accounts receivable	
Tenants	767
Other	4,595
Allowance for doubtful accounts	(979)
Accrued interest	1,243
Deferred charges	8,628

Total current assets 510,312

Property and equipment,  
net of accumulated depreciation

4,315,956

Total assets \$ 4,826,268

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 30,649
Tenants security deposits	22,104
Accrued liabilities	24,499
Deferred credits	3,111

Total current liabilities 80,363

Non-current liabilities

Accrued compensated absences	<u>20,427</u>
------------------------------	---------------

Total liabilities 100,790

Net assets

Invested in capital assets	4,315,956
Restricted	153,011
Unrestricted	256,511

Total net assets 4,725,478

Total liabilities and net assets \$ 4,826,268

The accompanying notes are an integral part of this statement.

North Iowa Regional Housing Authority  
Mason City, Iowa  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
Year ended September 30, 2009

Operating revenue	
Rental income	\$ 166,333
Intergovernmental	1,442,305
Other	<u>39,255</u>
Total operating revenue	1,647,893
Operating expense	
Administration	355,832
Tenant services	1,854
Utilities	31,279
Ordinary maintenance and operations	154,410
General	44,399
Housing assistance payments	1,113,316
Depreciation	<u>247,332</u>
Total operating expense	<u>1,948,422</u>
Operating income (loss)	(300,529)
Non-operating revenue (expense)	
Interest income	9,733
HUD capital grants	196,411
Casualty loss	<u>(5,000)</u>
	<u>201,144</u>
Change in net assets	(99,385)
Net assets at October 1, 2008	<u>4,824,863</u>
Net assets at September 30, 2009	\$ <u><u>4,725,478</u></u>

The accompanying notes are an integral part of this statement.

North Iowa Regional Housing Authority  
Mason City, Iowa  
STATEMENT OF CASH FLOWS  
Year ended September 30, 2009

Increase (Decrease) in Cash and Cash Equivalents

<b>Cash flows from operating activities</b>	
Cash received from tenants	\$ 167,349
Cash paid to suppliers and landlords	(1,589,441)
Cash paid to employees	(242,177)
Grants received from governmental units	1,442,305
Other income received	37,068
Net cash used in operating activities	<u>(184,896)</u>
<b>Cash flows from investing activities</b>	
Net investment (purchases) redemptions	173,442
Interest income received	9,670
Net cash provided by investing activities	<u>183,112</u>
<b>Cash flows from capital and related financing activities</b>	
Capital expenditures	(280,256)
Insurance proceeds	2,945
HUD capital grants received	196,411
Net cash provided by (used in) capital and related financing activities	<u>(80,900)</u>
Net decrease in cash and cash equivalents	(82,684)
Cash and cash equivalents at October 1, 2008	<u>489,344</u>
Cash and cash equivalents at September 30, 2009	<u><u>\$ 406,660</u></u>

Reconciliation of Operating loss  
to Net Cash From Operating Activities

Operating loss	\$ (300,529)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	247,332
Increase (decrease) in cash due to changes in:	
Accounts receivable	(1,171)
Deferred charges	1,749
Accounts payable	(135,367)
Tenants security deposits	1,094
Accrued liabilities	1,429
Deferred credits	567
Total adjustments	<u>115,633</u>
Net cash used in operating activities	<u><u>\$ (184,896)</u></u>

The accompanying notes are an integral part of this statement.

North Iowa Regional Housing Authority  
Mason City, Iowa  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2009

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the North Iowa Regional Housing Authority conform to generally accepted accounting principles as applied to governmental units. The following is a summary of the more significant policies.

- 1. Reporting Entity** - As required by generally accepted accounting principles, these financial statements include all funds for which the Authority is financially accountable. The Authority does not have any component units.

The Authority operates under a Board-Executive Director form of government and provides low-income public housing according to the annual contribution contracts approved by the Department of Housing and Urban Development (HUD).

- 2. Basis of Presentation**

The accounts of the Authority are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The Authority has the following proprietary fund:

**Enterprise Fund** - Enterprise funds are used to account for operations, (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the government body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

- 3. Measurement Focus and Basis of Accounting**

**Measurement Focus** - Enterprise funds are accounted for on an economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Enterprise fund type operating statements present increases (revenue) and decreases (expenses) in total net assets.

North Iowa Regional Housing Authority  
Mason City, Iowa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus and Basis of Accounting - Continued

**Basis of Accounting** - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Enterprise funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The Authority has elected pursuant to GASB Statement 20 to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989.

A proprietary fund distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Authority is rents collected from tenants and operating grants. Operating expenses for a proprietary fund include the cost of operating properties owned, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

4. Cash Equivalents

For purposes of the statements of cash flows, the Authority considers cash equivalents to include certificates of deposit having an original maturity of three months or less.

5. Investments

The Authority's investments are in time deposits (savings, preferred money market accounts or certificates of deposit) that are stated at fair market value which approximates cost.

6. Accounts Receivable

Accounts receivable-tenants has been shown net of allowance for uncollectible accounts of \$979.

7. Property and Equipment

Property and equipment is stated at cost. The cost of maintenance and repairs that do not add value to assets or materially extend asset lives is not capitalized. The capitalization policy of the Authority is to capitalize fixed assets costing more than \$5,000 and

North Iowa Regional Housing Authority  
Mason City, Iowa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2009

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**7. Property and Equipment - Continued**

expected to last more than one year. Depreciation of all exhaustible property and equipment is charged as an expense against operations. Accumulated depreciation is reported on the Statement of Net Assets. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings	40 years
Building improvements	5-20 years
Land improvements	5-20 years
Furnishings and equipment	3-10 years

**8. Compensated Absences**

The Authority allows full payment of unused paid hours off (PHO) at the current rate of pay, up to 65 days, upon retirement or termination of employment.

**9. Budgetary Process**

North Iowa Regional Housing Authority prepares an annual operating budget with formal board approval prior to the start of its fiscal year. The Department of Housing and Urban Development (HUD) requires the Authority to keep the budget on file and to submit to HUD only the calculation for operating subsidy. The Authority must prepare a revised operating budget only when total expenditures exceed the amount originally budgeted. The revised budget, if needed, is also kept on file at the Authority's office.

**10. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**11. Concentration of Revenues**

The Authority received approximately 88% of its total operating revenues from the federal government. This revenue is subject to federal government budget appropriations and potential funding reductions.

North Iowa Regional Housing Authority  
Mason City, Iowa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2009

NOTE B - CASH AND INVESTMENTS

Cash and investments as of September 30, 2009, are classified in the accompanying financial statements as follows:

Statement of net assets

Cash and cash equivalents	\$	406,660
Investments		<u>89,398</u>
	\$	<u><u>496,058</u></u>

Cash and investments as of September 30, 2009 consist of the following:

	Carrying Amount	Bank Balance
Petty cash	\$ 100	\$ -
Checking accounts	406,560	462,180
Certificates of deposit	<u>89,398</u>	<u>89,398</u>
	\$ <u><u>496,058</u></u>	\$ <u><u>551,578</u></u>

The Authority's deposits in banks at September 30, 2009 were entirely covered by Federal depository insurance or by the State Sinking fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Authority is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Authority; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Authority had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

NOTE C - DUE FROM/TO OTHER PROGRAMS

For the Statement of Net Assets, the following individual program receivable and payable balances at September 30, 2009, which are within business-type activities, are netted and eliminated.

Program	Due From	Due To
Owned Housing	\$ 15,524	\$ -
Section 8 Housing Choice Vouchers	-	15,524
Totals	<u><u>\$ 15,524</u></u>	<u><u>\$ 15,524</u></u>



North Iowa Regional Housing Authority  
Mason City, Iowa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2009

NOTE D - PROPERTY AND EQUIPMENT

A summary of changes in property and equipment for each program follows:

	Balances 10/1/2008	Additions & Transfers	Removals & Transfers	Balances 9/30/2009
<i>Capital assets not being depreciated</i>				
Land	\$ 915,269	\$ -	\$ -	\$ 915,269
Construction in progress	289,415	-	289,415	-
	<u>1,204,684</u>	<u>-</u>	<u>289,415</u>	<u>915,269</u>
<i>Capital assets being depreciated</i>				
Buildings & improvements	5,897,676	560,859	-	6,458,535
Equipment	131,334	8,812	-	140,146
Leasehold improvements	4,674	-	-	4,674
	<u>6,033,684</u>	<u>569,671</u>	<u>-</u>	<u>6,603,355</u>
Less accumulated depreciation	<u>2,955,336</u>	<u>247,332</u>	<u>-</u>	<u>3,202,668</u>
Total capital assets being depreciated, net	<u>3,078,348</u>	<u>322,339</u>	<u>-</u>	<u>3,400,687</u>
Total capital assets, net	<u>\$ 4,283,032</u>	<u>\$ 322,339</u>	<u>\$ 289,415</u>	<u>\$ 4,315,956</u>

NOTE E - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors; and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE F - PENSION AND RETIREMENT BENEFITS

The Authority contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost sharing multiple employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.9% of their annual salary and the Authority is required to contribute 6.05% of annual covered payroll to the plan. Contribution requirements are established by State statute. The Authority's contribution to IPERS for the year ended September 30, 2009 of \$ 17,996 is equal to the required contribution for the year. The Authority's contributions for the years ended September 30, 2008 and 2007 were \$ 14,133 and \$14,469 respectively, equal to the required contributions for those years.

SUPPLEMENTAL INFORMATION

North Iowa Regional Housing Authority  
Mason City, Iowa  
**STATEMENT OF NET ASSETS BY PROGRAM**  
September 30, 2009

ASSETS	Public Housing	Section 8 Vouchers	Elimina- tions	Total
<b>Current assets</b>				
Cash and cash equivalents	\$ 249,472	\$ 157,188	\$ -	\$ 406,660
Investments	38,929	50,469	-	89,398
Accounts receivable				
Tenants	767	-	-	767
Other	4,595	-	-	4,595
Allowance for doubtful accounts	(979)	-	-	(979)
Due from other programs	15,524	-	(15,524)	-
Accrued interest	638	605	-	1,243
Deferred charges	3,647	4,981	-	8,628
Total current assets	312,593	213,243	(15,524)	510,312
<b>Property and equipment, net of accumulated depreciation</b>	4,315,956	-	-	4,315,956
<b>Total assets</b>	<u>\$ 4,628,549</u>	<u>\$ 213,243</u>	<u>\$ (15,524)</u>	<u>\$ 4,826,268</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 30,649	\$ -	\$ -	\$ 30,649
Tenants security deposits	22,104	-	-	22,104
Due to other programs	-	15,524	(15,524)	-
Accrued liabilities	18,126	6,373	-	24,499
Deferred credits	3,111	-	-	3,111
Total current liabilities	73,990	21,897	(15,524)	80,363
<b>Non-current liabilities</b>				
Accrued compensated absences	11,400	9,027	-	20,427
Total liabilities	85,390	30,924	(15,524)	100,790
<b>Net assets</b>				
Invested in capital assets	4,315,956	-	-	4,315,956
Restricted	-	153,011	-	153,011
Unrestricted	227,203	29,308	-	256,511
Total net assets	4,543,159	182,319	-	4,725,478
<b>Total liabilities     and net assets</b>	<u>\$ 4,628,549</u>	<u>\$ 213,243</u>	<u>\$ (15,524)</u>	<u>\$ 4,826,268</u>

North Iowa Regional Housing Authority  
Mason City, Iowa  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY PROGRAM**  
Year ended September 30, 2009

	Public Housing	Capital Fund Program	Section 8 Vouchers	Management	Total
<b>Operating revenue</b>					
Rental income	\$ 166,333	\$ -	\$ -	\$ -	\$ 166,333
Intergovernmental	296,663	-	1,145,642	-	1,442,305
Other	15,390	-	857	23,008	39,255
Total operating revenue	478,386	-	1,146,499	23,008	1,647,893
<b>Operating expense</b>					
Administration	159,898	-	177,618	18,316	355,832
Tenant services	1,815	-	39	-	1,854
Utilities	31,279	-	-	-	31,279
Ordinary maintenance and operations	150,002	-	-	4,408	154,410
General	37,657	-	6,458	284	44,399
Housing assistance payments	-	-	1,113,316	-	1,113,316
Depreciation	247,332	-	-	-	247,332
Total operating expense	627,983	-	1,297,431	23,008	1,948,422
Operating income (loss)	(149,597)	-	(150,932)	-	(300,529)
<b>Non-operating revenue (expense)</b>					
Interest income	4,940	-	4,793	-	9,733
HUD capital grants	-	196,411	-	-	196,411
Casualty loss	(5,000)	-	-	-	(5,000)
	(60)	196,411	4,793	-	201,144
Change in net assets before transfer	(149,657)	196,411	(146,139)	-	(99,385)
Operating transfer	196,411	(196,411)	-	-	-
Change in net assets	46,754	-	(146,139)	-	(99,385)
Net assets at October 1, 2008	4,496,405	-	328,458	-	4,824,863
Net assets at September 30, 2009	\$ 4,543,159	\$ -	\$ 182,319	\$ -	\$ 4,725,478

North Iowa Regional Housing Authority  
Mason City, Iowa

**STATEMENT OF CASH FLOWS BY PROGRAM**

Year ended September 30, 2009

	Public Housing	Capital Fund Program	Section 8 Vouchers	Management	Total
<b>Increase (Decrease) in Cash and Cash Equivalents</b>					
<b>Cash flows from operating activities</b>					
Cash received from tenants	\$ 167,349	\$ -	\$ -	\$ -	\$ 167,349
Cash paid to suppliers and landlords	(376,386)	-	(1,201,386)	(11,669)	(1,589,441)
Cash paid to employees	(138,209)	-	(92,629)	(11,339)	(242,177)
Grants received from governmental units	296,663	-	1,145,642	-	1,442,305
Other income received	13,203	-	857	23,008	37,068
Net cash used in operating activities	(37,380)	-	(147,516)	-	(184,896)
<b>Cash flows from investing activities</b>					
Net investment (purchases) redemptions	55,063	-	118,379	-	173,442
Interest income received	4,411	-	5,259	-	9,670
Net cash provided by investing activities	59,474	-	123,638	-	183,112
<b>Cash flows from capital and related financing activities</b>					
Capital expenditures	(280,256)	-	-	-	(280,256)
Net cash received from (paid to) other programs	(1,459)	-	1,459	-	-
Insurance proceeds	2,945	-	-	-	2,945
Operating transfers	196,411	(196,411)	-	-	-
HUD capital grants received	-	196,411	-	-	196,411
Net cash provided by (used in) capital and related financing activities	(82,359)	-	1,459	-	(80,900)
Net decrease in cash and cash equivalents	(60,265)	-	(22,419)	-	(82,684)
Cash and cash equivalents at October 1, 2008	309,737	-	179,607	-	489,344
Cash and cash equivalents at September 30, 2009	\$ 249,472	\$ -	\$ 157,188	\$ -	\$ 406,660
<b>Reconciliation of Operating loss to Net Cash From Operating Activities</b>					
Operating loss	\$ (149,597)	\$ -	\$ (150,932)	\$ -	\$ (300,529)
Adjustments to reconcile operating loss to net cash used in operating activities					
Depreciation	247,332	-	-	-	247,332
Increase (decrease) in cash due to changes in:					
Accounts receivable	(1,171)	-	-	-	(1,171)
Deferred charges	1,729	-	20	-	1,749
Accounts payable	(135,367)	-	-	-	(135,367)
Tenants security deposits	1,094	-	-	-	1,094
Accrued liabilities	(1,967)	-	3,396	-	1,429
Deferred credits	567	-	-	-	567
Total adjustments	112,217	-	3,416	-	115,633
Net cash used in operating activities	\$ (37,380)	\$ -	\$ (147,516)	\$ -	\$ (184,896)

North Iowa Regional Housing Authority  
Mason City, Iowa  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
September 30, 2009

<u>Federal Grantor</u>	<u>Federal C.F.D.A. Number</u>	<u>Accrual Basis Amount</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - DIRECT</b>		
Public and Indian Housing - Operating Subsidy	14.850	\$ 296,663
Section 8 Housing Choice Voucher Program	14.871 *	1,145,642
Formula Capital Fund Stimulus Grant	14.885	<u>196,411</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ <u><u>1,638,716</u></u>

\* Denotes Major Program

North Iowa Regional Housing Authority  
Mason City, Iowa  
STATEMENT AND CERTIFICATION OF  
ACTUAL COMPREHENSIVE GRANT COSTS  
Year ended September 30, 2009

The Actual Comprehensive Grant costs are as follows:

	Project Number	
	IA05-P127	
	501-07	501-08
Funds approved	\$ 169,277	\$ 165,729
Funds expended	<u>169,277</u>	<u>165,729</u>
Excess	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
Funds advanced		
Grant funds received	\$ 169,277	\$ 165,729
Funds expended	<u>169,277</u>	<u>165,729</u>
Excess	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

The total costs as shown on the Actual Comprehensive Grant Cost Certificates, dated November 2008 for the Project Numbers stated above and submitted to HUD are in agreement with the Authority's records.

All comprehensive grant costs have been paid and all related liabilities have been discharged through payment.

North Iowa Regional Housing Authority  
Mason City, Iowa  
**FINANCIAL DATA SCHEDULE**  
September 30, 2009

Line Item Number	Account Description	Low Rent Public Housing	Formula Capital Fund Stimulus Grant	Section 8 Housing Choice Vouchers	Business Account	Total
111	Cash - unrestricted	242,892	-	39,122	-	282,014
113	Cash - other restricted	-	-	102,542	-	102,542
114	Cash - tenant security deposits	22,104	-	-	-	22,104
<b>100</b>	<b>Total cash</b>	<b>264,996</b>	<b>-</b>	<b>141,664</b>	<b>-</b>	<b>406,660</b>
124	Accounts receivable - other government	2,022	-	-	-	2,022
125	Accounts receivable - miscellaneous	2,573	-	-	-	2,573
126	Accounts receivable - tenants	767	-	-	-	767
126.1	Allowance for doubtful accounts - tenants	(979)	-	-	-	(979)
129	Accrued interest receivable	638	-	605	-	1,243
<b>120</b>	<b>Total receivables - net of allowance</b>	<b>5,021</b>	<b>-</b>	<b>605</b>	<b>-</b>	<b>5,626</b>
131	Investments - unrestricted	38,929	-	-	-	38,929
132	Investments - restricted	-	-	50,469	-	50,469
142	Prepaid expenses and other assets	3,647	-	4,981	-	8,628
<b>150</b>	<b>Total current assets</b>	<b>312,593</b>	<b>-</b>	<b>197,719</b>	<b>-</b>	<b>510,312</b>
161	Land	915,268	-	-	-	915,268
162	Buildings	6,458,535	-	-	-	6,458,535
163	Furniture, equipment & machinery - dwellings	44,663	-	-	-	44,663
164	Furniture, equipment & machinery - administration	95,484	-	-	-	95,484
165	Leasehold improvements	4,674	-	-	-	4,674
166	Accumulated depreciation	(3,202,668)	-	-	-	(3,202,668)
<b>160</b>	<b>Total capital assets, net of accumulated depreciation</b>	<b>4,315,956</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,315,956</b>
<b>180</b>	<b>Total noncurrent assets</b>	<b>4,315,956</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,315,956</b>
<b>190</b>	<b>Total assets</b>	<b>4,628,549</b>	<b>-</b>	<b>197,719</b>	<b>-</b>	<b>4,826,268</b>
312	Accounts payable <=90 days	30,649	-	-	-	30,649
321	Accrued wage/payroll taxes payable	9,661	-	5,370	-	15,031
322	Accrued compensated absences - current portion	1,267	-	1,003	-	2,270
333	Accounts payable - other government	7,198	-	-	-	7,198
341	Tenant security deposits	22,104	-	-	-	22,104
342	Deferred revenues	3,111	-	-	-	3,111
<b>310</b>	<b>Total current liabilities</b>	<b>73,990</b>	<b>-</b>	<b>6,373</b>	<b>-</b>	<b>80,363</b>
354	Accrued compensated absences - non-current portion	11,400	-	9,027	-	20,427
<b>350</b>	<b>Total non-current liabilities</b>	<b>11,400</b>	<b>-</b>	<b>9,027</b>	<b>-</b>	<b>20,427</b>
<b>300</b>	<b>Total liabilities</b>	<b>85,390</b>	<b>-</b>	<b>15,400</b>	<b>-</b>	<b>100,790</b>
508.1	Invested in capital assets, net of related debt	4,315,956	-	-	-	4,315,956
511.1	Restricted net assets	-	-	153,011	-	153,011
512.1	Unrestricted net assets	227,203	-	29,308	-	256,511
<b>513</b>	<b>Total equity/net assets</b>	<b>4,543,159</b>	<b>-</b>	<b>182,319</b>	<b>-</b>	<b>4,725,478</b>
<b>600</b>	<b>Total liabilities and equity/net assets</b>	<b>4,628,549</b>	<b>-</b>	<b>197,719</b>	<b>-</b>	<b>4,826,268</b>



North Iowa Regional Housing Authority  
Mason City, Iowa  
**FINANCIAL DATA SCHEDULE - CONTINUED**  
September 30, 2009

Line Item Number	Account Description	Low Rent Public Housing	Formula Capital Fund Stimulus Grant	Section 8 Housing Choice Vouchers	Business Account	Total
70300	Net tenant rental revenue	166,333	-	-	-	166,333
70400	Tenant revenue - other	145	-	-	-	145
<b>70500</b>	<b>Total tenant revenue</b>	<b>166,478</b>	-	-	-	<b>166,478</b>
70600	HUD PHA operating grants	296,663	-	1,145,642	-	1,442,305
70610	Capital grants	-	196,411	-	-	196,411
71100	Investment income - unrestricted	4,940	-	192	-	5,132
71400	Fraud recovery	-	-	857	-	857
71500	Other revenue	15,245	-	-	23,008	38,253
72000	Investment income - restricted	-	-	4,601	-	4,601
<b>70000</b>	<b>Total revenue</b>	<b>483,326</b>	<b>196,411</b>	<b>1,151,292</b>	<b>23,008</b>	<b>1,854,037</b>
91100	Administrative salaries	99,467	-	93,552	11,339	204,358
91200	Auditing fees	2,796	-	4,194	-	6,990
91500	Employee benefit contributions - administrative	29,974	-	37,539	3,245	70,758
91600	Office expenses	26,218	-	40,475	2,570	69,263
91700	Legal expense	277	-	668	-	945
91800	Travel	1,166	-	1,190	1,162	3,518
<b>91000</b>	<b>Total operating - administrative</b>	<b>159,898</b>	-	<b>177,618</b>	<b>18,316</b>	<b>355,832</b>
92400	Tenant services - other	1,815	-	39	-	1,854
<b>92500</b>	<b>Total tenant services</b>	<b>1,815</b>	-	<b>39</b>	-	<b>1,854</b>
93100	Water	3,475	-	-	-	3,475
93200	Electricity	11,850	-	-	-	11,850
93300	Gas	10,852	-	-	-	10,852
93600	Sewer	5,102	-	-	-	5,102
<b>93000</b>	<b>Total utilities</b>	<b>31,279</b>	-	-	-	<b>31,279</b>
94100	Ordinary maintenance & operations - labor	57,240	-	-	1,336	58,576
94200	Ordinary maintenance & operations - materials and other	26,802	-	-	2,604	29,406
94300	Ordinary maintenance & operations - contracts	56,384	-	-	13	56,397
94500	Employee bebfits contributions - ordinary maintenance	9,576	-	-	455	10,031
<b>94000</b>	<b>Total maintenance</b>	<b>150,002</b>	-	-	<b>4,408</b>	<b>154,410</b>
96110	Property insurance	21,893	-	663	-	22,556
96120	Liability insurance	1,799	-	1,714	-	3,513
96130	Workmen's compensation	2,683	-	1,416	19	4,118
96140	All other insurance	92	-	191	265	548
<b>96100</b>	<b>Total insurance premiums</b>	<b>26,467</b>	-	<b>3,984</b>	<b>284</b>	<b>30,735</b>
96200	Other general expenses	91	-	-	-	91
96210	Compensated absences	(99)	-	2,474	-	2,375
96300	Payments in lieu of taxes	7,198	-	-	-	7,198
96400	Bad debt - tenant rents	4,000	-	-	-	4,000
<b>96000</b>	<b>Total other general expenses</b>	<b>11,190</b>	-	<b>2,474</b>	-	<b>13,664</b>
<b>96900</b>	<b>Total operating expenses</b>	<b>380,651</b>	-	<b>184,115</b>	<b>23,008</b>	<b>587,774</b>
<b>97000</b>	<b>Excess of operating revenue over operating expenses</b>	<b>102,675</b>	<b>196,411</b>	<b>967,177</b>	-	<b>1,266,263</b>
97200	Casualty losses - non-capitalized	5,000	-	-	-	5,000
97300	Housing assistance payments	-	-	1,113,316	-	1,113,316
97400	Depreciation expense	247,332	-	-	-	247,332
<b>90000</b>	<b>Total expenses</b>	<b>632,983</b>	-	<b>1,297,431</b>	<b>23,008</b>	<b>1,953,422</b>
10010	Operating transfer in	196,411	-	-	-	196,411
10020	Operating transfer out	-	(196,411)	-	-	(196,411)
<b>10000</b>	<b>Excess (deficiency) of total revenue over (under) expenses</b>	<b>46,754</b>	-	<b>(146,139)</b>	-	<b>(99,385)</b>
11030	Beginning equity	4,496,405	-	328,458	-	4,824,863
11200	Unit months available	1,452	-	4,750	-	6,202
11210	Number of unit months leased	1,380	-	4,518	-	5,898

#### **OTHER REPORTS**

***Your Business Safety Net***

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
North Iowa Regional Housing Authority  
Mason City, Iowa

We have audited the financial statements of the North Iowa Regional Housing Authority as of and for the year ended September 30, 2009, and have issued our report thereon dated May 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Authority's management, and the board of commissioners and grantor agencies. However, this report is a matter of public record and its distribution is not limited.

*Testud + Temp, S.C.*

May 24, 2010

***Your Business Safety Net***

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO MAJOR PROGRAMS AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133

Board of Commissioners  
North Iowa Regional Housing Authority  
Mason City, Iowa

**Compliance**

We have audited the compliance of the North Iowa Regional Housing Authority ("Authority") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended September 30, 2009. The Authority's major federal program is identified in the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2009.

## Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the governing board, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Testimony & Temp. S.C.*

May 24, 2010

North Iowa Regional Housing Authority  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended September 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? ☐ yes ☒ no

Significant deficiency(ies) identified not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to the financial statements? ☐ yes ☒ no

Federal Awards

Internal control over financial reporting:

Material weakness identified? ☐ yes ☒ no

Significant deficiency(ies) identified not considered to be material weaknesses? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(1)? ☐ yes ☒ no

Identification of major federal program:

CFDA Number	Name of Federal Program or Cluster
14.871	Section 8 Housing Choice Voucher Program

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as a low-risk auditee? ☐ yes ☒ no

Section II - Financial Statement Findings

NONE

Section III - Federal Findings and Questioned Costs

NONE

Status of Prior Audit Findings

NONE